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Office of the Legislative Auditor

Report to the Legislature

DEPARTMENT OF LIVESTOCK

Report on the Examination of the Financial Statements
Two Fiscal Years Ended June 30, 1983

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DEPARTMENT OF LIVESTOCK

Report on the Examination of the Financial Statements
Two Fiscal Years Ended June 30, 1983

83-30

Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF LIVESTOCK

		Term Expires March 1
Nancy Espy, Chairman	Boyes	1985
Ralph J. Parker, Vice-Chairman	Fort Shaw	1987
Elmer Flynn	Missoula	1985
Donald L. Herzog	Rapelje	1987
John Kelly	Red Lodge	1987
Robert G. Barthelmess	Miles City	1989
Robert M. Simons	Turner	1989

DEPARTMENT OF LIVESTOCK

James W. Glosser, D.V.M.	Administrator Animal Health Division (through December 21, 1983)
Donald P. Ferlicka, D.V.M.	Acting State Veterinarian (December 21, 1983 to present)
Les Graham	Administrator Brands Enforcement Division
Cecil C. Greenfield	Chief Centralized Services Bureau

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply.

	Page
Recommendation #1 The department: A. Establish procedures to provide immediate control over cash receipts.	4
Agency Reply: Concur. See page 19.	
B. Adequately secure the vault.	4
Agency Reply: Concur. See page 19.	
Recommendation #2 The department: A. Establish physical count procedures to ensure an accurate accounting;	5
Agency Reply: Concur. See page 19.	
B. Conduct a physical count at least annually; and	5
Agency Reply: Concur. See page 19.	
C. Record federal excess property in its accounting records.	5
Agency Reply: Concur. See page 19.	
Recommendation #3 The department seek recovery of indirect costs in accordance with state law.	6
Agency Reply: Concur. See page 20.	
Recommendation #4 The department provide permanent employees with annual job performance evaluations as required by state personnel policy.	6
Agency Reply: Concur. See page 20.	

INTRODUCTION

We performed a financial compliance audit of the Department of Livestock for the two fiscal years ended June 30, 1983. The objectives of the audit were to: 1) determine if the financial statements present fairly the financial position and results of operations of the department, 2) determine the department's compliance with applicable laws and regulations, and 3) make recommendations for improving department management and internal controls.

In our opinion, the Department of Livestock complied with significant laws and regulations for the transactions tested that could have materially affected the department's financial statements. Nothing came to our attention in connection with our examination that caused us to believe the department was not in compliance with laws and regulations for those transactions not tested.

This report contains four recommendations to the department. These recommendations address areas where management, internal control, and compliance with laws and regulations can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of the department programs are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

We thank the staff of the Department of Livestock for their cooperation and assistance during our audit.

BACKGROUND

The Department of Livestock consists of two divisions:

1. the Brands Enforcement Division, which is responsible for the protection of the livestock industry from theft and predatory animals; and

2. the Animal Health Division, which is responsible for control and eradication of animal diseases, the prevention of the transmission of animal diseases to humans, and the suitability of dairy and egg products sold to the public.

Each of these divisions is headed by an administrator who reports to the seven-member Board of Livestock. The board members are appointed by the Governor for six-year terms.

The department is headquartered in Helena. The Montana State University campus in Bozeman houses the Animal Health Division's diagnostic laboratory. The department's Brands Enforcement Division has employees in 17 market centers throughout the state. The department had approximately 128 full-time equivalent positions in fiscal year 1982-83.

The state's General Fund and Special Revenue Fund finance the department's operations. The main sources of revenue for the Special Revenue Fund are tax levies on livestock, inspection fees, and livestock licenses. Total revenues for fiscal year 1982-83 and 1981-82 were $3,598,988 and $3,557,408, respectively.

INTERNAL CONTROLS

We have examined the financial statements of the Department of Livestock for the two fiscal years ended June 30, 1982 and 1983. We issued our opinion dated November 4, 1983 on these statements. As part of our examination, we made a study and evaluation of the system of control of the department. Our study evaluated the system as required by generally accepted governmental auditing standards for financial and compliance audits. We classified the controls in the following categories:

1. revenue/receivables;
2. payroll;
3. expenditures/payables; and
4. plant, property, and equipment.

We evaluated controls over the categories listed above. We did not evaluate the accounting controls over cash because the audit could be performed more efficiently by expanding substantive

tests. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the department is responsible for establishing and maintaining a system of accounting control. In fufilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safeguarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the department. However, our study disclosed conditions which could result in financial statement errors that would be difficult to detect. These conditions relate to cash receipts and plant, property, and equipment and are discussed below.

These conditions were considered in determining the nature, timing, and extent of the audit tests of the financial statements. This report on internal control does not affect our opinion on the financial statements.

The preceding five paragraphs are intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

Cash Receipts

The Department of Livestock does not establish immediate control over cash receipts. Not all negotiable instruments are restrictively endorsed immediately upon receipt, as required by MOM Section 2-1210. The mailroom clerk opens the mail and makes a determination as to whether the checks received are for the proper amount. If the proper amount has been received the check is restrictively endorsed. If the amount is not correct, the clerk sends the check to the appropriate department bureau for disposition. These procedures increase the potential of loss and do not ensure all cash receipts are deposited in a timely manner and properly recorded to the department's credit. The department should establish procedures which will provide control over cash as soon as the department receives it. One method of achieving this control would be to have the mailroom clerk prepare a log of each day's receipts. The total of this log could then be agreed to the total amount deposited to ensure receipts are deposited intact.

Cash receipts which must be held overnight are stored in a vault. Access to the vault is limited. However, the room in which the vault is located is not adequately secured as there are no bars on the windows and the room is on the first floor of the building.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT:

A. ESTABLISH PROCEDURES TO PROVIDE IMMEDIATE CONTROL OVER CASH RECEIPTS.

B. ADEQUATELY SECURE THE VAULT.

Property, Plant, and Equipment

The most recent physical count of fixed assets owned by the department was conducted during fiscal year 1981-82. State accounting policies require a physical count to be taken to coincide, whenever possible, with a June 30 fiscal year-end. An annual count should be taken to provide assurance that fixed assets are

not obsolete and have not been stolen or misplaced. An annual count also provides assurance for proper accountability of fixed assets.

The property coordinator indicated that, due to the department's shortage of one employee, there was not enough time to prepare and coordinate a physical count at fiscal year-end 1982-83. If the lack of time at the end of a fiscal year continues to be a problem, the department should consider conducting an annual count at another time.

An annual count is also required by "Attachment N of OMB Circular A-102." In addition, Attachment N requires agencies to account for any property acquired with federal funds or donated by the federal government.

The department currently has available for its use two helicopters obtained from federal excess property. Title to these aircraft does not pass to the department; however, the department has all the rights and duties of ownership. Therefore, the values at the date of acquisition should be recorded on the department's financial records. General Fixed Assets are understated by $111,280 because the values are not recorded. The department adjusted its financial statements for this amount.

RECOMMENDATION #2

WE RECOMMEND THE DEPARTMENT:

A. ESTABLISH PHYSICAL COUNT PROCEDURES TO ENSURE AN ACCURATE ACCOUNTING;

B. CONDUCT A PHYSICAL COUNT AT LEAST ANNUALLY; AND

C. RECORD FEDERAL EXCESS PROPERTY IN ITS ACCOUNTING RECORDS.

INDIRECT COST RECOVERIES

The Department of Livestock has not negotiated a plan for recovery of indirect costs associated with programs supported by federal funds. The department received federal moneys in the amount of $46,911 for fiscal year 1981-82 and $41,493 for fiscal year 1982-83.

A department official stated that informal studies had been completed at the department which revealed any indirect cost recoveries would be less than $1,000 per year. The department does not, therefore, feel it would be cost beneficial to negotiate an indirect cost recovery plan.

State statutes require agencies to recover, to the fullest extent possible, indirect costs relating to the receipt and expenditure of federal moneys. Obtaining reimbursement of these costs reduces the amount of state moneys needed to pay the costs. Indirect costs recovered are to be apportioned between the General Fund and any other funds indirectly supporting programs financed with federal moneys.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT SEEK RECOVERY OF INDIRECT COSTS IN ACCORDANCE WITH STATE LAW.

EMPLOYEE EVALUATIONS

Except for the Milk and Egg Bureau and the Centralized Services Bureau, the department does not provide permanent employees with annual job performance evaluations. Section 3-0115, MOM, requires, at a minimum, an annual evaluation for permanent employees.

Unless a formal evaluation of an employee's performance is made, employees may not be properly informed as to the quality of work produced. Employees may also be unaware of areas requiring improvement. Documentation of areas requiring improvement is also necessary to support disciplinary action.

This item was reported in the previous audit. The department concurred with, but did not fully implement, the recommendation.

RECOMMENDATION #4

WE RECOMMEND THE DEPARTMENT PROVIDE PERMANENT EMPLOYEES WITH ANNUAL JOB PERFORMANCE EVALUATIONS AS REQUIRED BY STATE PERSONNEL POLICY.

FEDERAL GRANT COMPLIANCE

Our audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget (OMB) "Circular A-102, Attachment P." This circular provides for independent audits of financial operations, including compliance with certain federal laws and regulations.

We reviewed major compliance areas of the U.S. Department of Agriculture agreements. The areas reviewed included compliance with specific grant provisions regarding reporting requirements and cost allowability.

Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations.

PRIOR AUDIT RECOMMENDATIONS

We performed an audit of the department for the two fiscal years ended June 30, 1981. The report contained eleven recommendations which are still applicable to the department's operations. The department concurred or partially concurred with all of these recommendations. The department implemented nine, partially implemented one, and did not implement one of the report recommendations.

Recommendations which have not been implemented deal with property, plant, and equipment (page 4) and employee evaluations (page 6).

AUDITOR'S REPORT AND AGENCY FINANCIAL STATEMENTS

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

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DEPUTY LEGISLATIVE AUDITORS:
JAMES H. GILLETT
FINANCIAL/COMPLIANCE AUDITS
SCOTT A. SEACAT
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Combined Balance Sheet - All Fund Types and Account Group of the Montana Department of Livestock as of June 30, 1983, and the related Combined Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, General and Special Revenue Fund Types, for the fiscal years ended June 30, 1982 and June 30, 1983. Our examination was conducted in accordance with generally accepted governmental auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the financial statements referred to above present fairly the financial position of such funds and account group of the Montana Department of Livestock as of June 30, 1983 and the results of operations and the changes in fund balances of such funds for the two fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Cooperative Agreement Revenue and Expenditures is presented for additional analysis and disclosure purposes only and is not a required part of the basic financial statements. The information has been subjected to the tests and

other auditing procedures applied to the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

James H. Gillett, CPA
Deputy Legislative Auditor

November 4, 1983

Approved:

Robert R. Ringwood
Legislative Auditor

DEPARTMENT OF LIVESTOCK
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 1983

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP
	General Fund	Special Revenue Fund	Agency Fund	General Fixed Assets
ASSETS				
Cash		$ 709,645	$132,539	
Accounts Receivable (Note 6)		35,490		
Investments (Note 1F)		2,396,637		
Equipment (Note 1E)				$707,492
Buildings				290,000
Authority Available to Pay Accounts Payable and Accrued Expenditures	$81,607			
Total Assets	$81,607	$3,141,772	$132,539	$997,492
LIABILITIES & FUND EQUITY				
Liabilities				
Accounts Payable	$55,957	$ 160,337	$ 13,547	
Accrued Expenditures	25,650	89,913		
Due to State of Montana		9,763		
Accountability for Property Held in Trust			118,992	
Total Liabilities	81,607	260,013	132,539	-0-
Fund Equity				
Fund Balance	-0-	2,881,759	-0-	
Investment in Fixed Assets - Donated Property				$111,280
Investment in Fixed Assets				886,212
Total Fund Equity	-0-	2,881,759	132,539	997,492
Total Liabilities & Fund Equity	$81,607	$3,141,772	$132,539	$997,492

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF LIVESTOCK
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Licenses & Permits	$ 7,200	$ 7,550	$ 350	$ 155,000	$ 233,382	$ 78,382
Service Fees				783,000	848,687	65,687
Investment Earnings				272,000	307,288	35,288
Federal Contracts				30,000	28,525	(1,475)
Sales of Documents, Merchandise, & Property				30,000	19,481	(10,519)
Grants, Gifts				55,000	51,521	(3,479)
Predator Control				80,000	111,178	31,178
Federal Assistance				14,000	12,969	(1,031)
Taxes				1,838,000	1,975,552	137,552
Fines				1,000	1,692	692
Miscellaneous				-0-	1,163	1,163
Total Revenues	7,200	7,550	350	3,258,000	3,591,438	333,438
EXPENDITURES:						
Centralized Services	84,852	72,779	12,072	223,822	223,822	-0-
Diagnostic Laboratory	349,212	300,553	48,659	362,973	362,943	30
Disease Control				718,738	515,484	203,254
Milk & Egg	212,108	197,971	14,138	12,000	12,969	(969)
Inspection & Control				1,903,589	1,812,515	91,074
Beef & Pork Research & Marketing				560,732	516,345	44,387
Predator Animal Control				349,069	284,909	64,160
Rabies & Rodent Control	71,018	66,797	4,221	15,000	15,000	-0-
Total Expenditures (Note 9)	717,190	638,100	79,090	4,145,923	3,743,987	401,936
PRIOR YEAR ITEMS:						
Prior Year Revenue Adjustments	-0-	-0-	-0-	(17,947)	(17,947)	-0-
Prior Year Expenditure Adjustments	(279)	(279)	-0-	1,580	1,580	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(710,269)	(630,829)	79,440	(904,290)	(168,916)	735,374
OTHER FINANCING SOURCES (USES):						
Support From State of Montana	710,269	630,829	(79,440)			
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	(904,290)	(168,916)	735,374
FUND BALANCE, JULY 1, 1982	-0-	-0-	-0-	3,050,675	3,050,675	-0-
FUND BALANCE, JUNE 30, 1983	$ -0-	$ -0-	$ -0-	$2,146,385	$2,881,759	$735,374

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF LIVESTOCK
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Licenses & Permits	$ 7,200	$ 7,048	$ (152)	$ 556,000	$ 508,000	$(48,000)
Service Fees				685,500	770,595	85,095
Investment Earnings				125,000	314,712	189,712
Federal Contracts				26,800	32,197	5,397
Sales of Documents, Merchandise, & Property				30,000	34,088	4,088
Grants, Gifts				60,000	54,471	(5,529)
Predator Control				80,000	80,000	-0-
Federal Assistance				12,200	14,864	2,664
Taxes				1,976,572	1,736,168	(240,404)
Fines				1,000	1,243	243
Miscellaneous				-0-	4,022	4,022
Total Revenues	7,200	7,048	(152)	3,553,072	3,550,360	(2,712)
EXPENDITURES:						
Centralized Services	80,830	57,472	23,358	214,063	213,772	291
Diagnostic Laboratory	315,985	271,514	44,471	328,792	328,792	-0-
Disease Control				676,039	471,668	204,371
Milk & Egg	189,878	186,490	3,388	11,500	14,864	(3,364)
Inspection & Control				1,710,745	1,634,804	75,941
Beef & Pork Research & Marketing				458,429	73,712	384,717
Predator Animal Control				339,706	306,800	32,906
Rabies & Rodent Control	70,489	69,688	801	15,000	15,000	-0-
Total Expenditures (Note 9)	657,182	585,164	72,018	3,754,274	3,059,412	694,862
PRIOR YEAR ITEMS:						
Prior Year Revenue	(5)	(5)	-0-	(2,408)	(2,408)	-0-
Prior Year Expenditures	(323)	(323)	-0-	(8,730)	(8,730)	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(650,310)	(578,444)	71,866	(212,340)	479,810	692,150
OTHER FINANCING SOURCES (USES):						
Support From State of Montana	650,310	578,444	(71,866)			
Transfer to Other Agency				(50)	(50)	-0-
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	(212,390)	479,760	692,150
FUND BALANCE, JULY 1, 1981	-0-	-0-	-0-	2,576,345	2,576,345	-0-
Prior Period Adjustment (Note 8)				(5,430)	(5,430)	-0-
Fund Balance Restated				2,570,915	2,570,915	-0-
FUND BALANCE, JUNE 30, 1982	$ -0-	$ -0-	$ -0-	$2,358,525	$3,050,675	$691,150

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF LIVESTOCK
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Years June 30, 1982 and 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Adjustments

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS) with the following adjustments.

Special Revenue Fund - Fiscal Year 1981-82	
Transfer to Other Agency	$ 50
Fund Balance July 1, 1981	(5,380)
Expenditures - Milk and Egg	3,364
Special Revenue Fund - Fiscal Year 1982-83	
Expenditures - Milk & Egg	969
Due to State of Montana	9,763
Appropriations - Predator Animal Control	30,250
General Fixed Asset Group of Accounts	
Equipment	111,280
Investment in Fixed Assets - Donated Property	111,280

B. Basis of Accounting

The state of Montana utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when a valid obligation is incurred and revenues are recorded when received in cash unless susceptible to accrual. Revenues are susceptible to accrual if: 1) they are measurable and available to finance expenditures of the fiscal period, or 2) are material in amount and are not received at the normal time of receipt.

With the following exceptions to the modified accrual basis of accounting, a valid obligation exists when the associated liability is incurred:

--If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

--The anticipated cost of equipment is expensed in the fiscal year in which budgeted.

--Goods ordered, but not received as of the fiscal year-end may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued. Budgeted accruals not meeting GAAP criteria are included in the financial statements. These accruals amounted to $16,773 for fiscal year 1981-82 and $95,393 for fiscal year 1982-83.

C. Fund Accounting System

The state of Montana accounts are organized utilizing a fund structure outlined in section 17-2-102, MCA. The financial statements are presented in accordance with the format recommended by the National Council on Governmental Accounting (NCGA), Governmental Accounting and Financial Reporting Principles, Statement 1.

-Governmental Fund Types -

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - To account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. This fund contains the state earmarked revenue fund and the federal and private revenue fund.

The earmarked funds primarily account for taxes on livestock, licenses, investment earnings and service fees. The federal and private funds primarily account for federal reimbursable contracts and pork and beef special assessments.

-Fiduciary Fund Type-

Agency Fund - To account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or funds. This fund accounts for money held for the owners of stray stock that were sold.

-Account Group-

General Fixed Assets Account Group - This accounts for fixed assets and equipment purchased by the department. This account group is accounted for in the Property Accountability Management System (PAMS) within the Statewide Budgeting and Accounting System.

D. Inventories

There is no recorded asset for supplies inventory. Supplies are expensed at the time of purchase.

E. General Fixed Assets

The state of Montana uses the Property Accountability Management System (PAMS), a centrally maintained subsystem of the Statewide Budgeting and Accounting System (SBAS), to manage and account for fixed assets owned by the state of Montana. The general fixed assets are recorded as expenditures in the various funds at the time of purchase. Assets purchased are recorded at acquisition cost. Gifts are recorded in general fixed asset records at fair market value at the time received. Depreciation is not provided on general fixed assets.

F. Investments

Investments are stated at cost, which approximates market value unless otherwise indicated. The investments are administered by the Department of Revenue with portfolio management by the state of Montana Board of Investments.

G. Vacation and Sick Leave

Liabilities incurred because of employees' unused vacation and sick leave are not recorded. The liability amounts associated with unused accumulated vacation and sick leave at June 30, 1983 were $224,403 for vacation and $135,036 for sick leave.

Permanent employees are allowed to accumulate and carryover into a new calendar year a maximum of two times their annual

accumulation of vacation. Upon termination, qualifying employees having unused accumulated vacation and sick leave receive 100 percent payment for vacation and 25 percent payment for sick leave.

2. RETIREMENT PLAN

Department employees participate in the Public Employee's Retirement System, a statewide contributory plan under which the state contributes 6.32 percent of an employee's gross wages and the employee contributes 6 percent of his gross wages. The department contributed $133,464 during fiscal year 1981-82 and $148,750 during fiscal year 1982-83 to the pension fund.

The state's policy is to fund accrued pension costs. Based on the most recent actuarial evaluation the Public Employees' Retirement System was actuarially sound at June 30, 1982. The unfunded past service costs and actuarially computed value of vested benefits were not readily available for members of the plan.

3. BUDGET

The annual appropriations process for planning and controlling financial operations is set for each fiscal year of a biennium by the Legislature. At the end of each fiscal year the department's General Fund and Special Revenue Fund appropriations revert to the fund of original appropriation and may be spent for valid prior year obligations.

Budget amendments may be obtained to spend funds that were not available for consideration by the Legislature but have become available from sources other than the state's General Fund or Earmarked Revenue Fund. Earmarked Revenue Fund budget amendments may be approved only if an emergency justifies the expenditure.

4. LEASE AGREEMENTS

A. Operating Leases

Commitments for the department's operating lease agreements provide for the following minimum lease payments for fiscal year 1983-84.

Lease	Fiscal Year Ending June 30, 1984
Computer Terminal	$ 2,040.22
Helicopter Hangars	5,100.00
Rent - Building	53,772.00

The department has not made any lease commitments for the years following the fiscal year 1983-84.

6. ACCOUNTS RECEIVABLE

Based on past experience of collectibility, the account receivable balance shown on the accompanying balance sheet does not include an allowance for doubtful accounts.

7. INSURANCE

The department is insured through the insurance plans administered by the Department of Administration.

8. PRIOR PERIOD ADJUSTMENT

The preceding financial statements reflect the current activity for the receipt and expenditure of federal moneys in accordance with state law. The adjustment of $5,430 made to Beginning Fund Balance - July 1, 1981 is necessary to properly reflect fiscal year 1981-82 activity.

9. REVERSION OF APPROPRIATION AUTHORITY

The Department of Livestock reverted General Fund appropriation authority in the amount of $72,018 and $79,090 in fiscal years 1981-82 and 1982-83, respectively.

MONTANA DEPARTMENT OF LIVESTOCK
SCHEDULE OF FEDERAL COOPERATIVE AGREEMENT
REVENUE AND EXPENDITURES
FISCAL YEARS ENDING JUNE 30, 1982 AND 1983

	Agreement Number	Fiscal Year 1981-82		Fiscal Year 1982-83	
		Revenue	Expenditures	Revenue	Expenditures
U.S. Department of Agriculture					
Rent Reimbursement		$ 2,947	$ 2,947	$ 3,304	$ 3,304
Salary Reimbursement	12-16-4-142	29,100	29,100	25,221	25,623
Shell Egg Surveillance	12-25-A-2788	14,210	13,684	12,415	15,903
Poultry Inspections	12-25-A-2788	654	654	553	553
Total		$46,911	$46,385	$41,493	$45,383

Note: Revenue on this schedule represents Federal Contracts and Federal Assistance on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances. Expenditures for the individual agreements will not tie to the basic financial statements because of expenditure program distribution.

AGENCY REPLY

MONTANA DEPARTMENT OF LIVESTOCK

STATE OF MONTANA

CAPITOL STATION

(406) 449-2043

HELENA, MONTANA 59620

January 16, 1984

Robert R. Ringwood
Legislative Auditor
Capitol Building
Helena, MT 59620

Dear Mr. Ringwood:

In response to the recommendations contained in the audit for the biennium ending June 30, 1983, I submit the following:

Recommendation #1

A. Establish procedures to provide immediate control over cash receipts.
Concur: The mail clerk has been instructed to restrictively endorse every instrument of payment immediately upon receipt.

B. Adequately secure the vault.
Concur: We will work with General Serivces to either enclose the window entirely or fit it with bars.

Recommendation #2

A. Establish physical count procedures to ensure an accurate accounting.
Concur: A procedure will be established for Helena based program managers to verify the existence and condition of equipment assigned to the various offices and individuals throughout the State during their regular visits to these offices.

B. Conduct a physical count at least annually.
Concur: The procedure outlined in A will be conducted at least annually.

C. Record federal excess property in the accounting records.
Concur: This is in the process of being accomplished.

Continued

AN EQUAL OPPORTUNITY EMPLOYER

Recommendation #3

A. Recommend the department seek recovery of indirect costs in accordance with state law.

Concur: As new agreements for federal reimbursements are written an amount adequate to recover indirect costs will be included in the totals.

Recommendation #4

A. Recommend the department provide permanent employees with annual job performance evaluations as required by state personnel policy.

Concur: Those supervisors who have not initiated performance appraisal have been given a deadline of March 1, 1984 to have the program in full operation.

Thank you for the opportunity to include our comments in your report.

Sincerely,

Cecil C. Greenfield
Chief, Centralized Services
Department of Livestock